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**TRADE LIBERALIZATION, STRUCTURAL
REFORMS, AND MAIN LABOUR MARKET
TRENDS IN URUGUAY (1968-1994)¹**

by

Gustavo Indart²

Centre for International Studies
170 Bloor Street West
Suite 500
Toronto, Ontario
M5S 1T9
(416) 978-3350

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² Centre for International Studies, 170 Bloor St. W., 5th Floor, Toronto, Ontario, M5S 1T9.

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TRADE LIBERALIZATION, STRUCTURAL REFORMS, AND MAIN LABOUR MARKET TRENDS IN URUGUAY (1968-1994)

by Gustavo Indart

I. Introduction

Uruguay is a small country with an estimated population of 3.2 million people, 88.7% of whom live in urban areas (43.2% in its capital city, Montevideo). Its population has been growing very slowly during most of this century and it is currently expanding at 0.6% per annum. The literacy rate is approximately 96%, life expectancy at birth is 73 years, and the infant mortality rate is 19.0 per thousand. In 1995, GDP per capita was \$5,600 in current U.S. dollars.

During the first half of this century, the government utilized rents appropriated from the prosperous agricultural sector to develop a relatively advanced welfare state. Since the last quarter of the eighteenth century, and particularly after the Great Depression, government policy fostered the development of a relatively important import-substitution industry. Led by the growth of manufacturing, the economy expanded at relatively high rates after the 1930s and particularly during the 1945-55 period. This period of expansion was followed by a long period of stagnation that lasted some 20 years ensued. Indeed, at a time when GDP per capita was growing at a rapid pace in most developing and developed countries, Uruguay's GDP per capita was lower in 1970 than in 1950. Economic stagnation was accompanied by a rapid increase in the price level as the different social sectors struggled to increase their shares in a non-growing pie. Inflation thus became the link between the economic crisis and the social and political crisis that were soon to develop. By the late 1960s, the Uruguayan social and political model of inclusion and class compromise reached a crisis when the government clearly took sides with the capitalist class in opposition to the interests of the workers.

Starting in 1968 --but more clearly after the 1973 *coup d'état*-- Uruguay experienced a gradual dismantling of the development model that had been in place for the last 40-50 years. A regression took place where the import-substitution industrialization (ISI) model was replaced by an export-oriented model favouring the production of traditional agricultural products first, and then the production of nontraditional products and particularly manufactured goods. The adoption of the new model implied the opening of the economy and the implementation of structural reforms. This reform process has been extremely gradual and after more than 20 years has not yet been completed. Notwithstanding, the reforms carried out to date have significantly altered the Uruguayan economy and society.

The purpose of this paper is to analyze the main labour market trends in Uruguay during the period of liberalization of international trade, and of the economy more generally. The

evidence suggests that the most distinctive labour market outcome --the tremendous and continuous drop in average real wages observed since the early 1960s-- was not the result but the precondition of the developmental outward-oriented strategy adopted by the military government after 1974. The structure of the paper is as follows. The next section briefly describes the main economic policies implemented after 1968, that is, the economic policies of the authoritarian government prior to the *coup d'état*, of the military government during the 1973-84 period, and of the new democratic government during the 1985-94 period. The trend in the main variables characterizing the labour market are discussed in Section III, while a brief summary and conclusions are presented in section VI.

II. Economic Policies During the 1968-1994 Period

1. *The Heterodox Stabilization Attempt (1968-1973)*

After just nine months in office, President Daniel Gestido passed away in December of 1967 and was replaced by Vice-President Jorge Pacheco Areco (1967-72). Quite on the contrary to the initial *desarrollista* approach of his predecessor, Pacheco sought the support of the most powerful capitalist groups from the outset and broke definitely with the implicit social alliance that had prevailed in Uruguay for most of this century.

The Pacheco administration accepted the IMF view that inflation was the result of excess demand which in turn was understood to be caused by excessive credit expansion, fiscal deficits, and wage increases. Thus, in June 1968, the government made a drastic change of direction and decreed the freezing of wages and prices, and created the *Productivity, Prices, and Income Commission* (COPRIN) to replace the *Wage Councils* --mechanisms of negotiation created in 1943 and operating at the sectoral level with the State as mediator-- and administer all future wage and price increases. Confrontation between the government and labour unions exacerbated and, despite a ban, ten general strikes took place in 1968. The government reacted ordering the arrest of many union leaders and the temporary draft of striking bank workers into the armed forces. Hence, not surprisingly, this policy was abandoned in the electoral year 1971.

The government of Juan María Bordaberry (1972-74) continued with the anti-labour policy characterizing the Pacheco administration. The new administration implemented an economic adjustment programme which included a more than 100% devaluation of the peso, a gradual elimination of price controls, and an increase in public utilities' rates. The immediate result of this economic adjustment was a recession --GDP fell by 3.3%-- and an increase in the rate of inflation to 95% in 1972.

Both the unorthodox stabilization programme of 1968 and the more orthodox adjustment programme of 1972 favoured the opening of the economy. Thus the degree of openness of the economy --the percentage of imports and exports in GDP-- increased from 27% in 1964-67 to almost 29% in 1968-69 and to more than 31% in 1970-73. The volume of exports increased 6% in 1968-69 with respect to the average of 1964-67, a further 15% in 1970-72, and then an impressive 47% in 1973. The latter, however, was mostly due to a 40% increase in export

prices and a 31% in the terms of trade. Export incentives --particularly export subsidies-- appear as an important determinant of this increase in exports since the percentage of exports subject to subsidies increased from 5% in 1968 to 29% in 1973 (Anichini *et al.*, 1978, p. 49).

The level of output and the sectoral composition of GDP in 1973 were both the same as in 1968. However, while GDP varied during the period --increasing 11% in 1968-70 and then decreasing 10% in 1971-73 (see Table A1)-- the shares of the agricultural and industrial sectors in GDP remained at about 16% and 23% respectively throughout the period. The investment ratio remained low at about 13% throughout the period, not falling even further due to a significant increase in the participation of the public sector in total investment from 19% in 1964 to almost 30% in 1972 (Solari and Franco, 1983, p. 85).

A radical attempt to liberalize the economy also took place in 1972 with the presentation of the *New Development Plan* (NPD). The NPD identified the wrong international insertion and the lack of market-based allocation of resources as the causes of economic stagnation. It emphasized the need to open the economy to trade, finance, and foreign investment, thus promoting an export-led growth model where the traditional agricultural sector would become the key economic sector once again. It also stressed the role of the market in the allocation of resources, thus reducing that of the State to the formulation of economic policy to assure the proper environment where the private sector would flourish. The adoption and implementation of this plan, however, will have to wait until after the *coup d'état* of 1973.

2. *Economic Liberalization and Structural Adjustments (1973-1984)*

By the early 1970s it was quite evident that the traditional ISI model that had characterized the Uruguayan economy for the last 40-50 years could not regain the dynamism required for a long-term development strategy. At the same time, social and political turmoil prevented the government from obtaining the required political support to implement a different strategy such as the one outlined in the NPD. The Plan was strongly opposed by the working class and popular sectors in general, since the strategy to reactivate the economy entailed a reduction in consumption --with the corresponding necessary fall in wages and increase in profits-- as a condition to achieve higher levels of investment during the period of consolidation of the process of economic growth.¹ The implementation of the NPD also encountered the opposition of important rent-seeker sectors of the capitalist class which had flourished during the period of import-substitution industrialization. The latter, in turn, had no viable developmental alternative of their own and only attempted to maintain their levels of income during the long period of economic stagnation at the cost of a marked deterioration in the income levels of workers in general. It was this redistributive struggle among the different interest groups that

¹ See O.P.P. (1977). This *precondition* for economic growth to follow was, later on, expressly recognized by the government: "Concerning the ratio between salaries and the development of the Uruguayan economy in the past few years, it must be stressed that the decline in real wages can be attributed, *inter alia*, to the alternative between consumption and investment required by the growth process, which implied a large effort for the re-equipment necessary to strengthen production (Ministry of Economy and Finance, 1979, p. 59; official translation).

created an unstable social and political environment in which it was actually impossible to implement any clearly defined development strategy.

Supporters of the NPD --mainly the agricultural and export sectors-- soon came to recognize the impossibility of restructuring the economy under democratic rule. Thus they sought the support of the Armed Forces whose increasing role in the repression of the labour movement and in the war against the guerrilla had already brought it to central stage in the political arena. In June 1973 Bordaberry called in the army and closed the Parliament, thus preparing the stage for the implementation of the new outward-oriented development model. The labour movement reacted to the *coup* with a general strike that lasted 15 days. The response of the government was to ban the National Convention of Workers (CNT) --an umbrella organization comprising all unions-- and give all employers the right to dismiss anyone who did not return to work.

At the commencement of the military regime the state of the Uruguayan economy showed important external imbalances exacerbated by the oil crisis and the closing of traditional markets for Uruguayan beef exports. The crisis of the external sector, and the exacerbation of internal disequilibria, prevented any major changes in economic policy during the first year of military rule. At the same time, the external situation caused a drastic change in the underlying assumptions of the NPD: the traditional agricultural sector could not --at least in the short-run-- become the new engine of growth of the Uruguayan economy.

With the appointment of Vegh Villegas as Minister of the Economy in July, 1974, sweeping structural reforms were gradually introduced with the aim of stabilizing the economy and resuming economic growth. The government chose gradual adjustment mechanisms to solve both domestic and external disequilibria. In order to change relative prices and promote the production of exportables, the government abolished import licenses and quotas, reduced the average level and dispersion of tariffs, introduced further subsidies to nontraditional exports, and lowered export taxes to traditional products. In addition, it kept the exchange rate in line with domestic and foreign prices and abolished all restrictions to the flows of capital in order to finance the current account deficit. On the internal front, the government gradually decontrolled many consumer prices, liberalized the domestic capital market, and pursued fiscal balance through the tightening of government expenditure and a reform of the tax system. The goal was to reduce government expenditure relative to GDP, mainly through a reduction in the wages of public sector's employees.² In addition to the fiscal deficit, the government considered nominal wage increases above productivity gains as one of the main underlying causes of inflation. Thus wage policy became the main antiinflation area of action and real wages fell 22% in 1974-78. Nonetheless, despite wage repression, the reduction in the fiscal deficit, and tight monetary policy, inflation remained high throughout the period mainly due to the inflow of foreign capital.

As a result of both the expansion of the programme of subsidies to nontraditional exports

² Thus public sector wages fell 24% between 1973 and 1977 (Favaro and Bensi3n, 1993, p. 339) and its share in total government expenditures decreased from 62% in 1975 to 55% in 1978.

and the trade agreements signed with Argentina and Brazil, the volume of exports was 60% higher in 1977 than in 1974-75, and the share of exports in GDP rose from 16.2% in 1974 to 18.8% in 1975-78. In turn, the percentage of export subject to subsidies went from 17.4% of the total in 1972 to 29.1% in 1973 and to 41.5% in 1975 (Anichini *et al.*, 1972, pp. 49 and 52), and the share of nontraditional exports increased from 27% in 1973 to 54% in 1976 (COMCORDE, 1977, p. 5). The elimination of import restrictions and the reduction of tariffs also determined the increase of the share of imports in GDP from 19.0% in 1974 to 21.0% in 1978. As a result, the degree of openness of the economy rose from 35% in 1974 to about 40% in 1978.

Led by the export upsurge, the Uruguayan economy experienced relatively rapid economic growth during the 1974-78 period: GDP growing at an average of 3.9% per annum. Important government investment in infrastructure --hydroelectric dams and international bridges-- but also increases in private investment greatly contributed to this increase in GDP. Indeed, the share of investment in GDP --though still low by international standards-- rose significantly from 10.7% in 1974 to 17.3% in 1975-78. The change in relative prices --mostly policy induced rather than the result of market forces-- fostered expansion and export growth and thus also a modification in the structure of production. Exports, in particular, caused the manufacturing sector to grow at 4.8% per annum during this period. The government's efforts to make Uruguay a regional financial centre also contributed to the growth of this sector at 9% a year during this period. The agricultural sector grew at a lower pace until 1977, and then decreased in 1978-79, causing its share in GDP to drop significantly.

The expansion and restructuring of the economy in 1974-78 were mainly based on the inflationary process. It was the high rates of inflation characterizing the period that facilitated the required change in relative prices --and particularly the fall in real wages. Starting in 1978, however, the economic policy of the government focused on price stability. The central feature of this stabilization programme consisted in setting the exchange rate in advance --the "tablita"-- in order to curb inflationary expectations.³ The stabilization programme was accompanied by a second wave of structural reforms including a predetermined tariff reduction programme, the deregulation of agricultural prices, the elimination of exports taxes and subsidies, the further reduction of social security taxes, and the extension of the coverage of the VAT.

The stabilization programme was successful in the short-run and the rate of inflation fell from 83% in 1979 to 29% in 1981 and to 11% in the first 11 months of 1982 (Cancela and Melgar, 1985, p. 53). However, while the rate of inflation was falling, tight monetary policy kept the nominal rate of interest relatively stable at 60-70% per annum, thus causing the real rate of interest to soar to unprecedented and unsustainable levels. The previous liberalization of the capital market, confidence in the "tablita", and high interest rates attracted a massive inflow of foreign capital which helped to finance the economic boom of 1979-80 when GDP grew at 6.0%

³ At the same time, the government continued reducing the deficit and obtained a surplus in 1979-81, particularly as a result of further reductions in public sector wages whose share in total government expenditures fell from 55% in 1978 to 48% in 1980 and to 38% in 1982 (ECLAC, *Economic Survey*).

per annum. This inflow of capital also contributed to the further appreciation of the peso and the deterioration of the trade and current account, and thus to the ensuing contraction of 1981-82.

While they kept expanding in absolute terms until 1981, as a percentage of GDP exports decreased significantly from 19% in 1975-78 to 15% in 1979-82 as the real exchange rate appreciated 40% between 1976 and 1981. Growth during 1979-81 was thus mainly due to the expansion of production for the domestic market. The severe depression that followed --with GDP falling 15% between 1982 and 1984-- can be explained to a large extent by the contractionary effect of the real appreciation of the Uruguayan peso on export-oriented but mostly on import-competing activities. The sectoral composition of GDP also experienced important changes during this period. After increasing to almost 25% in 1980, the share of the manufacturing sector in GDP decreased to less than 22% in 1982 while those of the agricultural and service sectors increased.

The programme designed to overcome the crisis as well as the economic policies to be implemented in the period of transition to civilian rule (in 1985) were outlined in the *Letter of Intention* signed with the IMF in February, 1983. The main objective was to eliminate external sector imbalances in order to assure international creditors the prompt service of the enormous debt accumulated during the last few years. It was expected that internal and external stabilization would also reactivate the economy and produce a trickle-down effect to achieve the social objectives. On the fiscal front, the main measures involved a reduction in government expenditures and an increase in public utilities' rates. Monetary policy, in turn, became more restrictive. After decreeing an increase in wages of 15%, the government left the private sector to freely determine future increases (except the minimum wage). The absence of strong labour unions determined an unequal negotiating position and thus real wages fell 11% in 1983.

3. Regional Integration and Structural Adjustments (1985-1994)

The process of transition to democratic rule --which started in the late 1970s-- experienced a delay in 1980 when a military proposal to amend the constitution was rejected in a national referendum. The deep economic crisis of 1982-84, however, had the opposite effect and helped to accelerate the transfer of power to a civilian government. Relatively free election were held in late 1984, and Julio María Sanguinetti (1985-90) became the first democratically elected president since 1972. While the medium- and long-run objectives of the government focused on the solution to the old structural problems and of those newly added by the structural adjustments of the 1970s, its immediate task was to confront the acute problems inherited from the 1982-84 crisis. Indeed, the fragile new democracy had to face very serious internal and external imbalances, with a level of economic activity almost 16% lower than in 1981, a historically high rate of unemployment close to 14%, a consolidated public sector deficit representing almost 9% of GDP, a rate of inflation of more than 60%, an increasing current account deficit, falling terms of trade, and an external debt which had ballooned to almost \$5 billion.

The government also had to design the appropriate short- and long-run economic policies under a different set of rules where negotiation and the search for consensus substituted for authoritarianism. The new rules made the design and implementation of economic policy more difficult --at least in the short-run-- since all social sectors had high expectations and specific demands of their own, particularly workers who had seen their wages falling almost 50 % in real terms during the military period and 28 % since 1981. Given the economic and political constraints, the democratic government adopted a gradual internal and external stabilization programme with an income policy aimed at slowly recovering past levels of real wages. The programme was based on an agreement signed with the IMF as a condition to facilitate the renegotiation of the external debt and the securing of contingency external credit. The programme specified several quantitative targets which would gradually bring the fiscal deficit and the rate of inflation down while allowing moderate economic growth led by the export sector.

The Sanguinetti government preserved the financial liberalization achieved during the previous years, continued with the process of gradual reduction of tariffs interrupted during the 1982-84 crisis, and sought greater economic integration with Argentina and Brazil. Favourable external conditions allowed exports to increase by 40 % in 1985-87 and by a further 35 % in 1987-89, while imports grew by 70 % and 5.3 % in those two periods; as a result, the degree of openness of the Uruguayan economy increased from 35 % in 1981-84 to 40 % in 1985-86 and to 51 % in 1987-89.

Some trends in the sectoral composition pattern of GDP could be discerned during the 1985-89 period. The agricultural sector continued showing a lack of dynamism and had its share in GDP gradually reduced to less than 11 % by 1989. The construction industry also showed little dynamism and kept its share at about 2-3 % of GDP though showing a slight improvement by the end of the period. The manufacturing sector, in turn, experienced some relative expansion until 1987 and then a brief decline in 1988-89, and its share in GDP rose from 21.2 % in 1985 to 25.0 % in 1989. The service sector experienced an initial contraction until 1987 and some improvement afterwards. Table 2 shows that the manufacturing and service sectors led the process of expansion during this period, with a greater weight of the manufacturing sector in 1985-87 and of the service sector in 1988-89.

The Blanco Party won the presidential election held in late 1989 and Alberto Lacalle (1990-95) took office in March, 1990. The economic policy of the new government focused on the fight against inflation mainly through a dramatic reduction in the fiscal deficit --thus abandoning the gradualist approach followed by the previous administration. Indeed, the fiscal deficit that in 1989 amounted to 6.4 % of GDP was abruptly brought down to 2.5 % and 0.5 % in 1990 and 1991 respectively, and in 1992 the public accounts showed a small surplus for the first time since 1979. The deficit was abated mainly through an increase in revenues as a result of higher taxes --particularly consumption taxes and contributions to social security--, reduced tax evasion, and higher prices for goods and services provided by the State, and through a significant reduction in wages of the central government. This situation was reversed in 1993-94 as government spending increased faster than revenues thus resulting in a deficit of 1.5 % of

GDP in 1993 and of 4.0% in 1994.

The new government deepened the process of *apertura* and significantly reduced the level of tariffs as a means of improving productivity in the economy as well as of curbing the rate of inflation. Trade liberalization measures were pursued through further negotiations with regional partners --which culminated in the creation of the Free Market of the South (MERCOSUR)-- and through unilateral concession to the rest of the world. The government's exchange policy was also subordinated to the fight against inflation and thus the Uruguayan peso rapidly appreciated as the rate of inflation remained high throughout the period. As a result of both the reduction in tariffs and the appreciation of the currency, the volume of imports (in current US\$) increased dramatically by more than 130% in 1989-94 and its share in GDP rose from about 23% in 1989 to almost 32% in 1993.⁴ Exports, in turn, also increased but only by 20% over the 1989-94 period and thus the trade account showed an increasing deficit that reached 45% of total exports in 1994. Higher imports and exports caused the degree of openness of the Uruguayan economy to rise from 51.8% in 1989 to 64.6% in 1993.

The sectoral composition of GDP experienced important changes during 1990-94 as a result of deepening the *apertura* and other structural changes introduced in the economy. The agricultural sector --with the exception of the cattle raising subsector-- showed signs of dynamism during this period and increased its share in GDP from 10.9% in 1990 to 11.4% in 1994. The share of the construction sector in GDP also rose from 2.5% in 1990 to 3.5% in 1994, while that of the service sector increased from 61.1% in 1990 to 64.3% in 1994. The performance of the manufacturing sector also followed a trend initiated in 1988 and had its share in GDP steadily declining from 25% in 1990 to 20.8% in 1994. The reduction in import tariffs and the appreciation of the Uruguayan peso significantly affected the manufacturing sector and contributed to the *terciarización* of the economy.

III. Main Labour Market Trends

1. 1968-1973 Period

After the creation of COPRIN in June, 1968, all wage increases --until then determined by the *Wage Councils*-- were set by the government without any participation of labour representatives. Not by accident, the wage and price freeze of June 28, 1968 took place just three days prior to the scheduled wage adjustment after prices had risen 64% in the first six months of the year. Thus, though prices rose only 2% in the second half of 1968, that year real wages reached the lowest level of the decade and represented only 73% of their 1957 level. Real wages recovered about 15% of their value between 1969 and 1971, and then dropped again in 1972-73, reaching in 1973 a level equivalent to only 69% of that of 1957.

While the number of employed workers increased by about 7% in Montevideo between

⁴ While all components of imports --with the exception of oil-- increased in absolute terms, the share of consumer goods in total imports rose the most and jumped from 12% in 1988 to 28% in 1993.

1968 and 1973 and the participation rate remained constant at about 48%, the rate of unemployment stayed relatively high --first decreasing from 8.4% in 1968 to 7.3% in 1970 and then rising to a level of 8.9% in 1973 (Melgar, 1981b, pp. 65 and 70). The average for the period was 7.9%. It must be noted that these relatively high rates of unemployment were realized despite the fact that 76.4 thousand people emigrated between 1970 and 1973 (Aguar, 1988, p. 77).⁵

The data for Montevideo also show that while the percentage of part-time workers remained relatively stable at about 6%, the percentage of those working more than 40 hours a week increased significantly from 64% in 1968 to 70-71% in 1971-72 (Melgar, 1981, p. 67). A conservative estimate indicates that the weekly average number of hours worked increased from 41.3 in 1968 to 42.3 in 1973 (Aguar, 1981, p. 26). The average number of working family members also increased from 1.49 to 1.58 between 1968 and 1973 (*ibid.*, p. 45). Thus it appears that households' response to the decline in real wages included an increase in both the number of hours worked per worker and the number of working members per household.

2. *The 1973-1985 Period*

Wage repression became the centrepiece of the government development strategy during the military period. Wages, which prior to 1968 were set through collective agreements, continued being set only by the State and entrepreneurs. Thus average real wages deteriorated all throughout the period, including during the years 1974-79 of relatively rapid economic expansion and of significant reduction in unemployment. After dropping 17% in 1972 and almost 2% the following year, real wages fell 33% in 1974-78 and another 8% in 1979-80. They recovered some ground in 1981-82 (7%) but decreased a further 28% in 1983-84. During the whole 1973-85 period, real wages decreased by 49% and by 1984 they represented 35% of their peak level of 1957. Thus the share of wages in national income steadily declined from 40% in 1968-73 to 34.6% in 1974-78, and to 27.5% 1979-82 (Cancela and Melgar, 1985, p. 62). Indeed, the wage policy of the government was the cornerstone of the restructuring and liberalization programme implemented since 1974: lower wages helped to abate inflation, increased the degree of competitiveness of domestic production, and reduced the level of consumption in order to increase investment.⁶ Notwithstanding, though investment did improve during this period --reaching 20% of GDP in 1979-82-- the increase was neither sufficient nor did it last long enough to translate into significant gains in productivity for the economy as a whole. Moreover, the adoption of more capital intensive technologies appears to have produced excess capacity in the economy (Longhi and Stolovich, 1991, pp. 44-5). Thus it appears that the fall in real wages coupled with reductions in social contributions paid by employers might

⁵ Also note that about 50% of those emigrating in 1963-75 were between 20 and 35 years of age (Melgar, 1981, p. 73).

⁶ In this regard, the Uruguayan experience differs greatly from that of the East-Asian countries. The latter adopted at a very early stage a development strategy based on the expansion of exports --prior to the point where real wages could become sufficiently high to put a constraint on the international competitiveness of domestic production.

have been responsible for most of any increase in the degree of international competitiveness domestic production might have achieved during this period.

Despite significant emigration,⁷ the labour supply increased during the 1970s as the EAP expanded 7.5% over 1975-85. The increase in labour supply was mainly the result of an increment in the participation rate but also in the number of hours worked. In Montevideo, the total participation rate increased significantly from 48.2% in 1973 to 58.2% in 1985, mostly due to the increase in the female participation rate from 28% to 45.2% and in the youth (14-19 years old) participation rate from 29.7% to 39.5% (Cancela and Melgar, 1985, p. 63). There was also a significant increase in the participation rate of elders, those between 55 and 64 years of age (*ibid.*). As a result, the average number of workers per family increased from 1.58 in 1973 --and 1.49 in 1968-- to 1.62 in 1979 (Aguiar, 1981). Though the increases in participation rates --at least for the youth and elders-- could be the result of the deterioration of real wages, the latter cannot explain the whole picture since --as in most Latin American countries-- the trend in increasing female participation rates continued even when real wages started to rise. As Table 4 shows, increasing female participation rates has been a common phenomenon in Latin America. However, while countries such as Brazil, Colombia, and Mexico also experienced rapid increases in female participation rates during this period, none reached levels as high as Uruguay. These higher female participation rates appear to be mainly the result of the changing role of women in society --including the increase in their level of education. In the case of Uruguay, the relatively small size of the family unit --an average 3.3 members including 0.6 under 14 years of age in the early 1980s (Glejberman, 1995, p. 70)-- might also have played a role.

What the deterioration in real wages --and changes in labour standards-- might help to explain to a large extent is the observed increase in the number of hours worked per person employed. Indeed, the average weekly hours worked per worker increased from 41.3 in 1968 to 42.3 in 1973 and to 44.4 in 1979 (Aguiar, 1981). Thus, during this period, more family members worked and they also worked more hours on average. A transfer of labour towards the nontraditional export sector also appears to have taken place in the period 1973-77. Indeed, while the total number of hours worked rose 11.4% in 1973-77 due to the increase in labour-intensive export industries --particularly leather garments and textiles-- those industries producing for the domestic market experienced a reduction in the number of hours worked (Torres, 1979, p. 55).

In addition to a quantitative increase, the labour supply also experienced a significant qualitative change. Indeed, the percentage of the labour force with more than primary education increased from 40.4% in 1969 to 45.6% in 1975 to 59.9% in 1985, and the percentage of those with more than nine years of schooling went from 20.0% to 24.5% and to 36.7% in those years (Hintermeister, 1988, pp. 211-2). In addition, the percentage of the labour force with university degree increased from 5.7% in 1969 to 8.5% in 1975 and to 10.6% in 1985 (*ibid.*) while the

⁷ It is calculated that about 240,000 people emigrated from Uruguay between 1973 and 1980 (Aguiar, 1988, p. 77).

number of registered university students went from 33 thousand in 1973 to almost 75 thousand in 1985 (Aguar, 1988, p. 76).

On the demand side, employment in the private sector followed output behaviour though there was a marked deceleration after the 1982-83 crisis. In Montevideo, increases in labour demand translated into an increment of more than 75,000 in the number of wage earners in the 1975-85 period (Longhi and Stolovich, 1991, p. 39). The traditional government role of employer of last resort appears, however, to have diminished during the period of military rule - public sector employment increasing only 5.4% in 1978-84 (*ibid.*, p. 49). Nonetheless, this might have been in part the result of firing for political reasons since the army also practised clientelism and the number of employees in the Ministries of Defense and of the Interior increased while members of the security forces doubled in number from 34,000 in 1969 to 65,000 in 1984 (*ibid.*). The structure of employment by sector of activity also changed during this period, with the manufacturing sector permanently losing ground from 30.6% of total employment in 1975 to 22.7% in 1983, and the service sector gaining weight from 35.9% to 43.3% during those years (Hintermeister, 1988, p. 216).

Though labour demand increased between the beginning and the end of the period, it fluctuated from year to year as attested by the rate of unemployment oscillating between 6% and 14% throughout the period. Indeed, the unemployment rate increased from 8.1% in 1974 to 12.7% in 1976,⁸ then gradually decreased to 10.0% in 1978 and to its lowest level of 6.7% in 1981. It then jumped during the 1982-83 crisis and peaked in 1984 at 13.9%. The average rate of unemployment for the whole military period was 9.7% --up from the 8.0% average of the 1965-75 period. Allen and Labadie (1994, p. 55) point out that the higher rates of unemployment observed in the early 1980s were the result of increases in the duration of unemployment and not of an increase in the inflow rate. Not only unemployment levels but also the year-to-year fluctuations became greater: the standard deviation of unemployment increased from less than one percentage point in 1965-74 to 2.2 percentage points in 1975-84 (*ibid.*). Youth and female members of the labour force showed higher rates throughout the period, thus suggesting the existence of systemic discrimination on the basis of age and gender (see Méndez and Espino, 1989).⁹ The informal sector also expanded during this period from 18.9% of the total number of employed workers in 1968 to 23.3% in 1973, to 24.6% in 1979, and to 29.3% in 1986 (Aguirre and Méndez, 1988, p. 97). In turn, the rate of subemployment also increased during the early 1980s from 11.7% of the EAP in 1981 to 14.1% in 1982, and to 17.8% in 1983; it then decreased to 16.5% in 1984 and continued falling during the next few years (Melgar, 1988, p. 30).

⁸ It is estimated that the rate of unemployment could have reached up to 22% in 1976-77 had it not been for the high number of Uruguayans emigrating during those years (Longhi and Stolovich, 1991, p. 81).

⁹ Discrimination against young and female members of the labour force has profound cultural as well as economic motives --summarized in the fact that they comprise what is considered the "secondary labour force." It must also be noted that in 1986, 65% of those seeking employment for the first time --mostly in the 14-25 age bracket-- were women (Méndez and Espino, 1989, p. 32).

3. The 1985-94 Period

The return to democratic rule also brought about significant changes in the labour market. Workers' expectations were high after twelve years of labour repression resulting in a loss of almost 50% in the level of real wages. The income policy of the new government called for a redressal of this situation through gradual wage increases which, at the same time, would bolster domestic demand and aid to reactivate the economy. Until the end of the military period, wages in the private sector were set administratively. The new democratic government reinstated the *Wage Councils* to negotiate wage increases at the sectoral level every four months, with the government setting public sector wages and the minimum wage. The adjustment of wages in the private sector was initially based on the inflation rate of the previous period plus an additional percentage to recover gradually from the loss suffered during the previous decade. Afterwards, the criteria changed several times during the Sanguinetti administration --e.g., projected inflation, average of past and projected inflation, a percentage of past inflation-- in order to remain consistent with government inflation targets. In 1990, the Lacalle administration attempted to eliminate wage indexation and decreed maximum wage increases equal to the inflation targets. Shortly after, however, the acceleration in the rate of inflation prompted the reintroduction of wage indexation.¹⁰ After 1985 and throughout the period, however, public sector wages were set by the government based on projected inflation which was systematically lower than actual inflation.

During the first year of democratic rule, private and public sector average real wages rose by 14% and 16% respectively. Thereafter, private sector wages continued to rise until 1989 while wages in the public sector increased almost 5% in 1986, remained relatively stagnant during the following two years, and then fell 3.5% in 1989. Indeed, public sector wages increased only 2% in 1986-89 while wages in the private sector rose 22% in real terms during that period. Passive indexation resulted in a loss of 7% in real wages in 1990, while workers' real income was reduced by more due to increases in social security contributions and income tax (ECLAC, *1990 Economic Survey*, p. 425). The reintroduction in 1991 of wage indexation based on past inflation --at a time when inflation was falling-- allowed private sector real wages to recover important ground until 1994. Though public sector wages also increased in 1991-94, the gap between private and public sector wages widened during this period. Indeed, Table 5 shows that in 1994 the public sector average wage was the same as in 1985 while private sector average wage increased 22% during this period.¹¹

Within the public sector itself, however, real wages followed different trends. Indeed, real wages of the central government fell 14% during the 1985-94 period, while wages of State

¹⁰ In early 1992, the government withdrew from the *Wage Councils* but set a maximum wage increase of 35% (significantly lower than expected inflation) which was seldom complied to in labour and management negotiations.

¹¹ The participation of public sector wages in total income first increased from 16.3% in 1984 to 17.6% in 1986, and then steadily decreased to 14.0% in 1989 and to 11.8% in 1992. The share of private sector wages, in turn, increased from 30.0% in 1984 to 36.6% in 1989 and then remained relatively constant (Bucheli and Rossi, 1994, p. 7).

enterprises and provincial governments rose by 40% and 99% respectively. This great wage dispersion within the public sector took place after 1990 during the Lacalle administration. In the period 1985-89, real wages increased in all subsectors with State enterprises leading the rise with a relatively moderate 18%. Between the last quarter of 1989 and the third quarter of 1994, however, real wages of the central government fell by 16% while those of State enterprises and provincial governments increased by 18% and 88% respectively. Two factors help to explain this wage dispersion within the public sector: on the one hand, the central government's attempt to reduce the deficit through --among other things-- a drastic reduction in the wage bill --as in the military period-- and, on the other, the triumph of the *Frente Amplio* --a leftist coalition-- in the provincial election in Montevideo.

Real wages trends varied among branches within the private sector as well. In Montevideo, for instance, wages in the manufacturing sector were higher than the provincial private sector average during the 1986-91 period while in 1991-94 they fell below it (Table 5). This pattern is consistent with the observed behaviour of the sector as indicated above: expansion until 1987-88 and relative contraction thereafter. Wages in the construction sector, for Montevideo, also followed the observed general behaviour of the sector: quite below the provincial private sector average in 1985-86, improving significantly during the 1987-89 period, and then exploding in 1991-94. Wage trends in branches within the service sector are also consistent with changes in their relative levels of activity with a significant improvement after 1991, particularly in transportation and communications. The only exception is "other services" whose level of activity increased about 25% --the average increase being 35%-- in 1983-94 while real wages rose almost 70% --the average increase being 45%-- in 1985-94.¹² Sectoral trends in real wages closely following sectoral levels of activity suggests a high degree of flexibility in the labour market --i.e., relative wages rapidly adjusting to relative changes in sectoral economic activity.

Labour supply increased during 1984-94 due to a moderate increase in population --expanding at only 0.6% per annum-- and a significant rise in the rate of participation.¹³ Indeed, though not as dramatic as in the 1975-85 period, the total participation rate increased 3 percentage points --from 58% to 61%-- during this period (Glejbberman, 1995, p. 71). This increase was fully determined by the rise in the female participation rate from 44% in 1984 to 48% in 1994, since the male participation rate remained constant at 75%. Tables 3 and 4 show that female participation rates in Montevideo have been increasing steadily since 1970, with a

¹² This non-correlation between changes in wages and levels of activity could be due to the relative weight of the banking system --characterized by having one of the strongest unions in the country-- in this sector.

¹³ With respect to the number of hours worked per week, no significant changes could be observed in both the private and public sector during this period --the number of hours oscillating between 41 and 43 in the private sector and between 39 and 40 in the public sector during the 1987-92 period (Glejbberman, 1995, p. 56). It appears that a decline for the whole economy took place in 1992-93, with the number falling to about 41 hours of work per week (INE).

deceleration in the late 1980s.¹⁴ For some observers this deceleration suggests that the expansion of female participation rates might have reached --at least in the short-run-- a structural limit in Montevideo (Diez de Medina and Rossi, 1991, p. 4). For the whole country, however, it appears that there is still room for further expansion since the interior of the country is showing greater dynamism in this regard: for instance, female participation rates in the interior increased from 36.1 % in 1984 to 40.0 % in 1989 --almost 4 percentage points compared to 1.2 in Montevideo (*ibid.*). This trend appears to suggest that there exists no direct correlation between female participation rates and the economic cycle and/or wage trends. Changes in levels of education and in the composition of the family unit appear as more powerful explanatory variables. Indeed, a CEPAL study covering the period 1984-89 shows that female participation rates increase steadily with the level of education from 25-29 % for those with 0-5 years of schooling to 70-74 % for those with 13 and more years of schooling.¹⁵ The same study also shows that female participation rates vary with the number and age of young children in the household, with a dramatic reduction of 9 percentage points with the existence of a second child in the 0-2 age bracket. However, the average number per household of children under 14 years of age is very low in Uruguay --0.6 in Montevideo-- which helps to explain the extremely high rate of female participation relative to other Latin American countries (Table 4). Table 3 also shows that male participation rates had varied between 1976 and 1992 without showing any clearly defined pattern. In the 1980s male participation rates appeared to have followed the economic cycle --rising in 1981 and 1987 when the rate of unemployment dropped and falling in 1983 when the unemployment rate increased-- while between 1987 and 1992 they steadily decreased though male unemployment showed little change.

The qualitative changes in the labour force observed during the military period were intensified after 1985. Table 8 shows that the percentage of the labour force with more than primary education increased from 56.1 % in 1981 to 59.9 % in 1985 and to 67.4 % in 1991, and that the percentage of those with more than 10 years of schooling rose from 32.7 % to 36.7 % and to 43.7 % in those years. Among the latter group, the most significant change refers to the increase in the percentage of the labour force with university education from 10.6 % in 1985 (and 10.8 % in 1981) to 18.2 % in 1991, while the percentage of those with level 2 of secondary education rose only marginally from 10.9 % in 1985 to 11.9 % in 1991. This experience differs greatly from that of Chile's since the percentage of the labour force with level 2 of secondary education has been increasing steadily in that country since the mid-1970s and in 1991 represented more than 32 %. Table 7 also shows that female members of the labour force have higher education than their male counterparts. In 1991, for instance, the percentage of female members with more than 13 years of schooling was 21.1 % in Montevideo and 11.4 % in the rest

¹⁴ Note that the difference between the female participation rates presented in Tables 3 and 4 is due to the fact that the former considers the EAP older than 14 years of age while the latter does the EAP older than 10 years of age.

¹⁵ See CEPAL, "Estructura Socio-Ocupacional y Distribución del Ingreso en el Uruguay (1984-1988)", LC/MVD/R.40, Montevideo, cited in Diez de Medina and Rossi (1991).

of the country, while the figures for men were 15.0% and 3.7% respectively.¹⁶

While the general level of education of the labour force --and particularly of their female members-- has improved since 1985, it appears that the opposite has occurred in the public sector after 1989. Table 6 shows that the percentage of public employees with more than primary education increased from 73.3% in 1986 to 76.3% in 1989 and then decreased to 69.5% in 1992. Most of this decline in the 1989-92 period can be explained by the drop of 8.6 percentage points in the group with complete and incomplete secondary education. At the higher end, in turn, while the percentage of public servants with at least some university education remained relatively unchanged at around 19-21%, the percentage of those with more than 4 years of university declined throughout the period and more particularly after 1989 --from 10.7% in 1989 to 8.0% in 1992. Table 6 also indicates that this deterioration in the educational level of the public sector took place at the same time that female employees increased their participation in the sector from 37.8% in 1986 to 40.1% in 1989 and to 45.4% in 1992. Thus the trend in the public sector runs opposite to the general trend in the economy: a deterioration in the general level of education of its labour force while increasing the participation of the gender with greater education in the economy. This appears consistent with the observed trend in public/private sector relative wages: higher educated workers seeking higher wages in the private sector.¹⁷ The latter is also suggested by the fact that the share of younger workers -- usually more educated-- in the public sector decreased from 9.9% in 1986 to 4.6% in 1992 (Bucheli, 1995, Table 11).

On the demand side, the major changes took place in the public sector. Indeed, the number of public employees increased until 1990, decreased in 1991-92, and then increased again in 1994. The initial increase of 13.4% between 1984 and 1987 was mainly the result, on the one hand, of rehiring public employees dismissed for political reasons during the military period and, on the other, of transferring to the public sector surplus personnel from intervened private banks and other troubled private firms (Bucheli, 1995, p. 6). The Sanguinetti administration (1985-90) was not particularly preoccupied with reducing the size of the State and the number of public employees continued to increase until 1990, though at a lower pace.¹⁸ The Lacalle government (1990-95) did pursue a reform of the State and made attempts to reduce its size.¹⁹ In 1990, a redistribution of surplus employees took place and incentives to retire were introduced in the public sector. Consequently, the number of employees decreased 12.4%

¹⁶ Also note that in 1991-94, for instance, the percentage of women among first year students was 64% in 1991-94 and the same for female graduates among total graduates in 1991-93 (INE).

¹⁷ Those with less than 4 years of university education --whose participation increased from 9.5% in 1989 to 12.9% in 1992-- might be benefiting from the less rigid schedule of the public sector while completing their studies.

¹⁸ Experiences of privatization or transformation were few during this period: the closing of the State enterprise processing and commercializing fish and the restructure of the railways with the elimination of passenger service. These measures, however, did not reduce the number of public sector employees since surplus personnel was distributed within the sector itself (Bucheli, 1995, p. 6).

¹⁹ The process of privatization did not advance much during this period either, for a bill approved by Parliament to privatize some public services was rejected in a national referendum in 1992.

in 1990-92 but then jumped up again in 1993 to levels similar to those of 1986.²⁰ Nonetheless, the role of the State as employer lost relative ground after 1985. Data for Montevideo, for instance, show that the percentage of public employees in the labour force steadily declined during this period from 23.2% in 1984 to 17.9% in 1993 (Bucheli, 1995, Table 4).²¹ Most employment generation during this period --and most particularly after 1990-- took place in the formal private sector whose share in total employment increased from 50.1% in 1984 to 53.6% in 1989 and to 59.4% in 1993 (*ibid.*). Indeed, the share of the informal sector in total employment decreased during this period and particularly after 1989 from 26.6% in 1984 to 25.5% in 1989 and to 22.7% in 1993 (*ibid.*).

After reaching a historically high rate of almost 14% in 1984, the rate of unemployment declined to 9.1% in 1987 and then remained relatively constant at around 8.5% until 1994. The average rate for the period was 9.3%. The rate of subemployment, in turn, declined steadily during this period, from 12.8% in 1985 to an average of 7.5% in 1986-90 and then to an average of 4.3% in 1991-94 (INE). Contrary to the experience of the first half of the 1980s, the duration of unemployment also steadily declined since 1985 from an average of 34 weeks in 1985-86 to 30 weeks in 1987-90 and to 26 weeks in 1991-94. Systemic discrimination in the labour market on the basis of age and gender also persisted during the period. Indeed, for the selected years shown in Table 21, the average rate of female unemployment was 11.7% while that of men remained at about 5.7% during 1987-92; for youth and adults, the respective averages were 24.8% and 5.2% during that period. The realization of high rates of unemployment during a period of relatively rapid economic expansion suggests the existence of important structural changes in the Uruguayan economy, particularly during the 1990s. Indeed, while unemployment trends followed the economic cycle during the second half of the 1980s --GDP expanding 19% and the unemployment rate decreasing 4.8 percentage points in 1984-87-- no such correlation could be observed in the 1990s --GDP increasing 22.5% in 1990-94 and the rate of unemployment remaining relatively constant at about 9%.²² The data thus suggest, on the one hand, an important increase in overall labour productivity and, on the other, that the "natural" rate of unemployment might have increased in the Uruguayan economy as a result of the adoption of more capital-intensive technologies and of greater intensity in the exploitation of the labour force. For the economy as a whole --though not necessarily for all sectors-- it appears that the adoption of newer, more capital-intensive technologies cannot be considered the main explanatory variable for gross domestic investment as a percentage of GDP remained very low throughout the period. At the same time, it must be noted that if the capital/labour ratio has been actually increasing for the whole economy, then even much greater investment ratios will be required in the future in order to make a significant dent in the employment situation.

²⁰ This latter increase appears to have been the result of two factors: on the one hand, many of those retiring were possibly holding non-surplus positions and, on the other, the overall figures hide relative changes in personnel within the public sector itself and probably most of the increase might have taken place in provincial governments.

²¹ This relative reduction of the private sector started in the late 1960s when public employees accounted for 29% of the labour force in Montevideo (Bucheli, 1995, Table 4).

²² More particularly, the rate of unemployment increased slightly in 1992 and by almost a full percentage point in 1994 when GDP expanded by 7.9% and 6.8% in those two years.

IV. Summary and Conclusions

1. The implicit social alliance that prevailed in Uruguay for most of this century come to an end in 1968 as the State experienced an important loss of its relative autonomy with respect to class conflicts. Both the heterodox stabilization programme of 1968 and the more orthodox adjustment programme of 1972 favoured the opening and the liberalization of the economy. The sectoral composition of GDP did not change significantly in 1968-73, but the degree of openness of the economy increased from 27% in 1964-67 to 31% in 1970-73.

2. Wage repression became the essential component of the development strategy followed after 1968. The level of wages, previously established through collective agreements between workers and entrepreneurs, were now determined only by the State and the entrepreneurs after that year. The average real wage suffered an important loss in 1968-73 as a result of the antiinflation policy of the government, and in 1973 represented only 69% of its 1957 level. Despite high emigration, the rate of unemployment remained high at an average of 7.9% during 1968-73. The response of the families to the fall in real wages translated in an increase in both the number of hours worked per employed person and in the number of working members of the family unit.

3. The process of liberalization and opening of the economy accelerated during the period of military rule. Important structural reforms were introduced in 1974. In the external front, tariffs were reduced and many restrictions to imports were eliminated, incentives to nontraditional exports were introduced, taxes to traditional exports were reduced, a competitive exchange rate was maintained, and all restrictions to the movement of capitals were eliminated. In the internal front, the government decontrolled the prices of many consumer goods, liberalized the domestic capital market, introduced reforms to the tax system, and made an important attempt to reduce the deficit. Both the manufacturing and the financial sectors increased their shares in GDP, while that of the agricultural sector declined. The degree of openness of the economy increased in 1974-78 from 35% in 1974 to about 40% in 1978.

4. After 1978, the economic policy of the government mainly focused on the fight against inflation. The stabilization programme attempted to curb inflationary expectations through the preannouncement of future rates of currency devaluation. Further structural reforms were introduced after 1978, including greater tariff reductions, elimination of taxes and subsidies to exports, price deregulation of agricultural products, extension of the coverage of the VAT, and reduction of contributions to the social security system. The sectoral composition of GDP experienced important changes during the period 1978-84. After increasing to almost 25% in 1980, the share of the manufacturing sector in GDP declined to less than 22% in 1984 while those of the agricultural and service sectors increased during this period.

5. The military government continued with the policy of wage repression and the average real wage fell 49% in 1973-85, thus reaching in 1984 a level equivalent to 35% of its 1957 level. The wage policy of the government played an essential role in the restructure and liberalization of the economy after 1974, particularly in the fight against inflation, in the improvement in the

degree of international competitiveness, and in the reduction of domestic consumption. The average rate of unemployment was 9.7% during this period. Female and youth rates of unemployment were still much higher than the total, thus suggesting the existence of systemic discrimination based on age and gender. Labour supply increased significantly due to an increment in the rate of participation from 48% in 1973 to 58% in 1984, mainly due to the increase in the female participation rate from 28% to 45%. The latter seems to have been the result of a change in the role of women in society and not a strategic means of counteracting losses in family income. The labour force also experienced important qualitative changes, increasing the share of those workers with more than primary education from 46% of the total in 1975 to 60% in 1985, and of those with more than nine years of schooling from 24% to 37%. The sectoral composition of employment also varied during this period, with the public sector and the manufacturing sector losing ground.

6. In the period 1985-90, the democratic government preserved the financial liberalization introduced during the period of military rule, continued with the process of gradual reduction of both tariffs and the fiscal deficit, and sought greater economic integration with Argentina and Brazil. The manufacturing sector decreased its share in GDP after 1987, but by 1990 was nonetheless significantly higher than in 1985. The degree of openness of the economy, in turn, continued growing at a fast pace, jumping from 40% in 1985-86 to 51% in 1987-89.

7. The Lacalle administration (1990-95) focused on the fight against inflation, drastically reducing the fiscal deficit and subordinating the exchange policy of the government to this end. The process of *apertura* was deepened during this period, further reducing the level of tariffs and signing trade agreements with regional partners which would lead to the creation of MERCOSUR. The manufacturing sector continued its descending trend and its share of GDP was only 21% in 1994.

8. The restoration of democracy brought about the reinstallation of the *Wage Councils* and, therefore, a greater role of the labour movement in the determination of the level of wages in the private sector. Thus the wage gap between the public and private sector increased during the period 1985-94: the average wage in the private sector increasing 22% while in the public sector it remained unchanged between the beginning and the end of the period. There was a great wage dispersion within the public sector, wages of the central government falling 14% while those of the parastatals and the provincial governments increasing 40% and 99% respectively. This dispersion can be explained by the effort of the central government to reduce the deficit through a reduction in wages and the triumph of the *Frente Amplio* in the provincial election of Montevideo. Private sector wages showed great flexibility, rapidly adjusting to changes in the relative activity of the different sectors. The average rate of unemployment reached 9.3% during this period, decreasing from 13.1% in 1985 to 8.0% in 1989, and then rising to 9.2% in 1994. As in the military period, female and youth rates of unemployment were significantly higher, thus confirming the existence of systemic discrimination based on age and gender. The rate of participation increased from 58% to 61% as a result of the continuous increment in the female participation rate from 44% in 1984 to 48% in 1994. Qualitative changes in the labour force became more accentuated during this period. Thus, the percentage

of workers with more than primary education rose from 60% in 1985 to 67% in 1991, while that of those with more than ten years of schooling went from 37% to 44%. The greatest change in this regard corresponded to the percentage of workers with university degrees whose share in the EAP increased from 11% in 1985 to 18% in 1991. The relative importance of the public sector as an employer also lost ground during this period, having its share reduced from 23% in 1984 to 18% in 1993.

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Table 1. Sectoral Contribution to GDP, 1951-1975

Year	Agriculture	Industry	Rest	GDP
1951-55	17.1	20.8	62.1	100.0
1956-60	15.6	22.9	61.5	100.0
1961-65	15.2	22.5	62.5	100.0
1966-70	15.7	22.8	61.5	100.0
1971-75	15.8	23.3	60.9	100.0

Source: Anichini *et al.*, 1978, p. 63.

Table 2. Sectoral Composition of GDP, 1980-1995^a

Year	Agriculture ^b	Manufacturing ^c	Construction	Services	Total
1980	11.5	24.8	5.2	58.5	100.0
1981	11.9	23.3	5.3	59.5	100.0
1982	12.2	21.3	5.7	60.8	100.0
1983	13.2	21.0	4.1	61.7	100.0
1984	12.5	21.7	3.6	62.2	100.0
1985	13.0	21.2	2.5	63.3	100.0
1986	12.6	22.2	2.5	62.7	100.0
1987	11.0	26.6	2.8	59.6	100.0
1988	10.8	26.1	3.0	60.1	100.0
1989	10.9	25.5	3.0	60.6	100.0
1990	10.9	25.0	2.5	61.1	100.0
1991	10.9	24.4	2.7	62.0	100.0
1992	11.5	23.4	3.0	62.1	100.0
1993	11.0	21.0	3.5	64.5	100.0
1994	11.4	20.8	3.5	64.3	100.0
1995	11.9	20.6	3.1	64.4	100.0

^a 1980-86 in constant 1978 prices; 1987-1995 in constant 1983 prices. ^b Includes fishing. ^c Includes mining.

Sources: Years 1980-86: ECLAC, *Economic Survey*, various years. Years 1987-95: Central Bank of Uruguay, *Boletín Estadístico*, No. 184, March 1996.

Table 3. Economically Active Population and Unemployment, Montevideo 1976-92 - Percentages^a

Year	Participation Rate				Unemployment			
	Male	Female	Adults	Youth	Male	Female	Adults	Youth
1976	73.7	35.9	42.5	54.2	9.8	17.8	8.9	26.4
1981	76.0	39.5	56.7	48.3	5.1	9.0	5.0	15.3
1983	74.9	43.3	57.0	57.8	12.2	19.8	10.6	31.5
1985	75.1	45.2	60.6	54.9	10.1	17.0	8.4	29.1
1987	76.9	46.8	62.0	53.9	6.8	12.5	5.7	23.5
1989	75.2	47.1	61.0	54.9	6.5	11.1	4.8	24.1
1990	74.5	47.4	61.2	53.6	7.3	11.8	5.3	26.6
1991	74.3	47.5	61.1	56.1	7.1	11.3	4.9	25.3
1992	73.3	48.4	60.4	55.7	6.7	11.9	5.2	24.4
1993 ^b	72.7	48.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1994 ^b	74.7	48.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

^a Adults: over 25 years of age; youth: 14-25 years of age. ^b Bucheli (1995).

Source: Cassoni *et al.*, 1995, p. 145.

Table 4. Female Participation Rates in Selected Latin American Countries^a

Country	1970	1980	1985	1990	1995 ^b
Argentina	24.5	24.6	25.4	26.1	27.4
Brazil	18.4	26.9	28.7	30.3	31.9
Chile	18.1	21.3	24.2	27.0	29.3
Colombia	20.2	26.3	29.7	31.6	33.2
Costa Rica	16.7	19.3	20.7	21.3	21.6
Mexico	15.2	26.3	27.4	29.2	30.9
Peru	26.0	26.3	26.9	27.5	28.3
Uruguay	26.2	32.4	38.3	39.5	40.3

^a Economically active population aged 10 years and over as a percentage of the total population aged 10 years and over.

^b Estimated figures.

Source: ECLAC, *Statistical Yearbook*, 1995.

Table 5. Evolution of Real Wages by Sector, 1985-95^a

Sector	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Total:^b	114.7	122.4	128.1	130.1	129.6	120.1	124.7	127.4	133.5	135.1^c	n.a.
Public	116.1	121.7	122.3	123.0	118.6	107.6	107.9	107.2	115.1	116.2	112.0
Private	113.9	123.0	132.7	135.6	139.2	129.9	137.8	143.3	148.0	150.0	144.8
Private (Montevideo):^b	116.0	124.7	134.4	137.5	140.2	132.0	139.5	144.9	151.2	153.8^d	n.a.
Manufacturing	116.9	126.0	137.4	141.8	145.7	135.2	141.2	143.3	150.9	149.9	141.0
Construction	107.1	115.3	135.2	135.7	143.9	130.7	148.1	157.2	150.2	157.7	153.1
Commerce, restaurants and hotels	109.7	115.6	124.8	129.3	132.8	126.8	135.7	141.5	148.1	149.4	146.9
Wholesale commerce	109.9	114.2	124.5	130.6	133.5	122.5	131.5	136.3	144.0	144.7	140.4
Retail commerce	109.8	116.7	125.6	129.0	133.4	130.9	139.8	146.3	152.1	153.7	152.8
Transportation and communications	115.7	134.8	141.1	143.9	143.9	138.8	149.4	162.9	173.3	178.0	172.4
Other services ^e	121.8	135.6	143.6	149.4	153.9	153.1	166.1	179.1	194.1	206.4	207.0
Private (Interior):	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Manufacturing	105.3	126.9	135.4	139.0	140.0	130.8	137.9	138.1	138.0	132.9	127.9
Construction	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Commerce, restaurants and hotels	108.1	123.2	130.9	136.9	137.4	119.1	139.3	145.3			
Wholesale commerce	109.1	125.0	133.1	139.0	141.1	132.7	140.4	144.8			
Retail commerce	108.5	123.4	129.9	136.8	139.1	120.3	131.1	149.4			
Transportation and communications	115.0	134.8	141.1	143.9	143.9	138.8	149.4	162.9			
Other services ^e	126.7	144.2	157.0	166.0	173.1	174.0	195.9	222.0			

^a October-December/1984 = 100. ^b Total from Glejberman (1995). ^c Average of first eight months. ^d Average of first semester. ^e It includes financial and other services to business, and community, social and personal services.

Source: Instituto Nacional de Estadística.

Table 6. Characteristics of Public Sector Workers, 1986, 1989 and 1992 (Percentage of total)

	Montevideo			Interior		
	1986	1989	1992	1986	1989	1992
Men	62.2	59.9	54.6	70.9	67.4	62.0
Women	37.8	40.1	45.4	29.1	32.6	38.0
Up to complete primary	26.7	23.7	30.5	38.0	39.8	40.6
Incomplete secondary	28.4	27.6	22.2	26.1	25.7	21.2
Complete secondary	8.6	11.1	7.9	7.7	8.3	7.6
Incomplete and complete UTU ^a	11.6	11.0	8.0	12.2	10.9	9.6
Incomplete and complete teaching training	5.6	6.5	10.6	12.7	11.2	17.5
Up to 4 years university	7.2	9.5	12.9	1.7	2.3	2.5
More than 4 years university	11.9	10.7	8.0	1.6	1.8	1.0
30 years and less	31.6	24.2	12.7	30.1	22.8	13.4
Between 31 and 50 years	47.1	53.1	38.1	54.2	54.8	44.6
50 years plus	21.3	22.7	49.2	15.7	22.4	42.0
Employed in more than one job	17.8	22.1	14.2	8.6	12.7	8.8

^a Universidad del Trabajo del Uruguay.

Source: Cassoni *et al.* (1995).

Table 7. Levels of Education of Economically Active Population by Gender, 1991

Years of schooling	Montevideo			Interior		
	Men	Women	Total	Men	Women	Total
0-5	11.2	9.4	10.4	22.2	15.7	19.7
6-9	47.1	41.9	44.8	54.3	46.9	51.5
10-12	26.7	27.6	27.1	19.8	26.0	22.2
13 and more	15.0	21.1	17.7	3.7	11.4	6.6

Source: Buchelli *et al.* (1994).

Table 8. Uruguay and Chile: Levels of Education of Economically Active Population, 1981 and 1991^a

	Uruguay			Chile	
	1981	1985 ^b	1991	1981	1991
None	1.2	2.3	0.6	1.8	1.4
Primary ^c	42.7	39.0	32.0	27.0	14.0
Secondary, level 1	23.4	23.2	23.7	24.9	23.8
Secondary, level 2	9.6	10.9	11.9	25.8	32.4
University	10.8	11.9	18.2	12.4	17.6
Technical	10.3	10.6	12.7	8.1	10.8
Other	2.0	3.3	0.8	--	--

^a According to highest level of school attended. ^b 1985 data from Hintermeister (1988). ^c Uruguay's 1985 data includes 13.4% of incomplete primary education. Allen and Labadie do not make such allowance.

Source: Allen and Labadie (1994).

Table A1. Selected Macroeconomic Indicators (1955-1995)

Year	GDP (1968=100)	% Change in GDP	% Change in CPI	Rate of Unemployment	Real Wages (1957=100)	Government Surplus as % of GDP
1955	95.4	n.a.	10.3	n.a.	92.7	n.a.
1956	97.1	1.7	6.1	n.a.	91.4	n.a.
1957	98.1	1.0	18.3	n.a.	100.0	-1.1
1958	94.6	-3.6	19.6	n.a.	96.9	-2.2
1959	91.9	-2.8	48.7	n.a.	89.7	n.a.
1960	95.2	3.6	36.2	n.a.	89.7	n.a.
1961	98.1	3.0	10.3	n.a.	84.6	-1.0
1962	95.9	-2.2	11.2	n.a.	89.5	-3.8
1963	94.9	-1.0	43.6	10.4	88.2	-2.9
1964	98.4	3.6	35.4	n.a.	84.9	-2.1
1965	99.3	1.0	88.0	n.a.	81.1	-5.1
1966	102.6	3.4	49.4	7.2	80.5	-1.3
1967	98.4	-4.1	136.0	8.4	86.0	-3.2
1968	100.0	1.6	66.3	8.4	73.2	-0.2
1969	106.1	6.1	14.5	7.5	81.6	-2.5
1970	111.1	4.7	20.9	7.5	80.5	-1.7
1971	111.2	0.1	35.7	7.6	84.7	-4.7
1972	109.4	-1.6	94.7	7.7	70.2	-2.5
1973	109.9	0.4	77.5	8.9	69.0	-1.4
1974	113.3	3.1	107.0	8.1	68.4	-4.5
1975	119.9	5.9	66.8	n.a.	62.4	-4.4
1976	124.7	4.0	40.0	12.7	58.7	-2.6
1977	126.2	1.2	57.0	11.8	51.7	-1.2
1978	132.9	5.3		10.0	49.9	-1.3
1979	141.2	6.2	83.1	8.3	45.8	0.2
1980	149.6	6.0	42.8	7.1	45.7	0.0
1981	152.5	1.9	29.4	6.7	49.1	-0.1
1982	138.2	-9.4	20.5	12.0	48.9	-14.7
1983	130.0	-5.9	51.5	13.5	38.8	-12.2
1984	128.6	-1.1	66.1	13.9	35.2	-8.9
1985	130.5	1.5	83.0	13.1	40.7	-6.8
1986	142.1	8.9	70.7	10.1	43.1	-5.2
1987	153.3	7.9	57.3	9.1	45.1	-4.1
1988	153.3	0.0	69.0	8.6	45.7	-4.5
1989	155.3	1.3	89.2	8.0	45.6	-6.4
1990	156.7	0.9	129.0	8.5	41.9	-2.5
1991	161.7	3.2	81.5	8.9	43.9	-0.5
1992	174.5	7.9	58.9	9.0	44.9	n.a.
1993	179.8	3.0	52.9	8.3	47.0	n.a.
1994	192.0	6.8	44.1	9.2	47.4	-4.0
1995	187.4	-2.4	35.4	10.3	46.1	-5.3

Source: Aguiar (1988), Allen and Labadie (1994), Cancela and Melgar (1985), COMCORDE (1977), Favaro and Bensi3n (1993), Instituto de Econom3a (1969), O.P.P. (1977), *Semanario B3squeda*, Torello and Noya (1992).

Table A2. External Sector Indicators (millions of current US\$)

Year	Exports	Imports	Merchandise Account	Current Account	Real Exchange Rate (1961=100)	Terms of Trade (1961=100)	External Debt
1955	183.0	237.6	-54.6	-56.1	54.6	115.3	181.1
1956	215.7	209.1	6.6	5.0	62.0	103.0	158.8
1957	136.0	252.9	-116.9	-117.9	72.2	107.0	193.9
1958	155.4	143.1	12.3	14.8	63.0	93.9	220.9
1959	108.3	176.2	-67.9	-46.8	54.1	95.7	255.5
1960	129.4	217.5	-88.1	-74.4	121.3	107.5	286.7
1961	174.7	210.9	-36.2	-18.2	100.0	100.0	306.2
1962	153.7	230.5	-76.8	-67.6	92.0	105.1	433.1
1963	165.2	176.9	-11.7	-0.8	99.5	101.9	412.0
1964	178.9	197.7	-18.8	-0.8	82.0	116.7	471.8
1965	191.2	150.7	40.5	72.0	98.9	112.3	480.8
1966	185.8	164.2	21.6	n.a.	122.9	116.6	480.2
1967	158.7	171.4	-12.7	n.a.	109.5	110.6	450.9
1968	179.2	159.3	19.9	n.a.	107.1	95.9	477.5
1969	200.4	197.3	3.1	-55.3	104.3	104.8	531.8
1970	232.7	230.9	1.8	-72.4	90.9	101.1	564.5
1971	205.8	228.9	-23.1	47.2	76.5	113.9	674.2
1972	214.1	211.6	2.5	18.1	95.9	133.2	771.2
1973	321.5	184.8	136.7	-118.0	83.7	175.0	717.9
1974	382.2	486.7	-104.5	-136.3	72.3	92.4	955.1
1975	383.8	556.5	-172.7	-197.8	82.3	74.3	1,031.2
1976	546.5	587.2	-40.7	-82.4	85.4	81.2	1,134.9
1977	607.5	729.9	-122.4	-171.6	80.4	78.3	1,320.0
1978	686.1	774.3	-88.2	-132.7	77.7	81.8	1,239.5
1979	788.1	1,230.8	-442.7	-362.7	67.2	80.9	1,682.4
1980	1,058.6	1,602.5	-543.9	-715.8	54.0	77.4	2,152.7
1981	1,215.4	1,598.9	-383.5	-468.2	52.9	69.7	3,112.0
1982	1,022.9	1,110.0	-87.1	-245.0	60.6	68.1	4,238.0
1983	1,045.1	787.5	257.6	-71.0	76.6	66.5	4,572.0
1984	924.6	775.7	148.9	-139.0	70.6	66.9	4,671.0
1985	853.6	675.4	178.2	-131.0	70.7	64.7	4,900.0
1986	1,087.8	870.0	217.8	6.0	70.8	72.7	5,238.0
1987	1,182.3	1,141.9	40.4	-169.0	73.1	72.3	5,887.5
1988	1,404.6	1,176.9	227.7	-37.0	78.6	75.7	6,330.5
1989	1,599.0	1,202.8	396.0	113.0	78.2	75.4	6,993.6
1990	1,692.9	1,342.9	350.0	162.0	90.7	67.7	7,382.6
1991	1,604.7	1,636.5	-31.8	2.0	79.2	70.2	7,166.5
1992	1,702.5	2,045.1	-342.6	-236.0	74.6	71.8	7,697.1
1993	1,645.3	2,325.7	-680.4	-408.0	66.1	75.3	7,899.0
1994	1,913.4	2,786.1	-872.7	-396.3	n.a.	76.0	8,786.7
1995	2,105.9	2,866.9	-761.0	-473.5	n.a.	n.a.	10,015.6

Sources: Cancela and Melgar (1985), *Economic Survey*, Favaro and Bensi3n (1993), Instituto de Econom3a (1969), Torres (1979), *Semanario B3squeda*, and *World Tables*.